

Background on the Michigan Personal Property Audit Program (1/2007)

The Personal Property Audit (PPA) Grant Program began as a matching grant program and was active for calendar years 2004 and 2005. The Program was created by a line item appropriation and boilerplate language as part of the General Government Budget Bill for the State's fiscal year 2004 appropriation. The PPA Grant Program was administered by the Department of Treasury, Bureau of Local Government Services. More than 8,000 audits were completed under the Grant Program. As a direct result of the PPA Grant Program, MCL 211.154 personal property filings with the State Tax Commission increased from slightly more than 1,000 to more than 3,000 annually. The Department estimates that as a result of the PPA Grant Program, the State School Aid Fund will receive an additional \$25.5 million for fiscal year 2006. The following is a list of those participating local units; please note that other local units were approved for grants, but due to budget and staffing constraints determined not to accept the grant award.

Bay County:	Bay City
Genesee County:	Grand Blanc and Mt. Morris Charter Townships
Ingham County:	Delhi Charter Township and City of East Lansing
Jackson County:	Jackson County Equalization
Kalamazoo County:	Cities of Kalamazoo and Portage
Macomb County:	Cities of Sterling Heights and Warren
Marquette County:	City of Marquette
Midland County:	City of Midland
Oakland County:	Cities of Auburn Hills, Madison Heights, and Southfield
Otsego County:	Charlton, Chester, Dover, and Livingston Townships
St. Clair County:	St. Clair County Equalization and Riley Township
Washtenaw County:	Washtenaw County Equalization and Ypsilanti Charter Township
Wayne County:	Brownstown Charter Township; Cities of Allen Park, Dearborn, Detroit, Gibraltar, Livonia, Romulus, Trenton, Westland; and Wayne County Equalization

The program was changed from a matching grant program to a direct state contractual program based on changes in the Department of Treasury's budget. Those local units selected to participate focused on counties, cities, and townships with the highest personal property concentrations in the State. The State Administrative Board approved \$3.5 million for the contract for fiscal year 2006, and the State entered into a multi-year contract with Tax Management Associates, Inc. as the successful bidder. Due to timing and the available funding, focus for fiscal year 2006 will be on all businesses not recently audited under the Grant Program or by the local unit with a True Cash Value (TCV) range of \$400,000 up to \$500,000 and \$2.5 million up to \$10 million. The following is a list of the local units selected for the State's fiscal year 2006 PPA Program:

Genesee County:	City of Flint and Genesee County Equalization
Jackson County:	Jackson County Equalization
Kalamazoo County:	Cities of Kalamazoo and Portage
Kent County:	Kent County Equalization
Livingston County:	Livingston County Equalization
Macomb County:	Cities of Sterling Heights and Warren
Marquette County:	City of Marquette
Midland County:	City of Midland
Oakland County:	City of Southfield
Ottawa County:	Ottawa County Equalization
St. Clair County:	St. Clair County Equalization
Washtenaw County:	Washtenaw County Equalization and Ypsilanti Charter Township
Wayne County:	Cities of Detroit, Livonia, Romulus, Westland; and Wayne County Equalization

**Background on
PPA Program**

1/2007

Page 2

Of the 1,765 audits with fiscal year 2006 funding, 718 resulted in discovery. The true cash value of the omitted or incorrectly reported personal property was approximately \$465,500,583 which, in turn, represents about \$5.6 million potentially due the State and an additional \$6.4 million potentially due the units of local government in which the audits were performed. The revenue in question is referred to as “potentially” due because the underlying audits include both those concurred in by taxpayers and those with which taxpayers may appeal because they do not concur. Given appeals, and other considerations, there may be a considerable lapse of time between when an audit is completed and when any resulting revenue is realized.

The fiscal year 2007 appropriation funding is \$2.1 million and this is less than the total funding for fiscal year 2006 which was \$3.5 million. Due to the decrease in funding, there are not sufficient funds to audit entire counties as was done during the fiscal year 2006 program. The program continues to focus on local units with high concentration of personal property, with special focus on including all the top 20 cities or townships in the State. There will be five new cities added not previously participating either in the Grant Program or fiscal year 2006 Contract: Battle Creek, Farmington Hills, Lansing, Pontiac, and Troy. Also new to the State Contract, but covered under the Grant Program, is the City of Auburn Hills. For these new cities being added to the audit work for 2007, the true cash value ranges selected are the same as the participants selected for the previous fiscal year being \$400,000 up to \$500,000 and \$2.5 million up to \$10 million. For those local units not new to the State Contract, the true cash value range will be \$500,000 to \$2.5 million. The following is the selection list for fiscal year 2007:

Calhoun County:	City of Battle Creek
Genesee County:	City of Flint
Ingham County:	City of Lansing
Kalamazoo County:	Cities of Kalamazoo and Portage
Kent County:	Grand Rapids, Kentwood, and Wyoming
Macomb County:	Cities of Sterling Heights and Warren
Midland County:	City of Midland
Oakland County:	City of Auburn Hills, Farmington Hills, Pontiac, Southfield, and Troy
Washtenaw County:	Ann Arbor and Ypsilanti Charter Township
Wayne County:	Cities of Dearborn, Detroit, Livonia, Romulus, and Plymouth Township

Audits proposed for fiscal year 2008 or future years will depend on available funding. Audits will not be conducted for businesses with active or pending bankruptcy court filings or if the specific business parcel was recently audited under the State’s program or by the local unit. A company may experience more than one audit as there are businesses with multiple locations in Michigan, and every effort will be made to coordinate with the affected company’s headquarters to streamline the audit process. If a business is selected that is impacted by an Industrial Facility Tax (IFT) district, the related accounts/parcels may also be included to be able to conduct an audit of the IFT related parcels, as long as the true cash value of the selected parcels does not exceed \$10 million for the program years 2006 and 2007.